

September 2, 2008

## **MONTANA TUNNELS MINING, INC. PIT EXPANSION EIS**

### **PURPOSE OF THE BRIEFING DOCUMENT:**

Montana Tunnels Mining, Inc. (MTMI) proposes to deepen and expand its open pit mine to develop additional ore reserves. This expansion would extend the life-of-mine to 2011.

### **ISSUES:**

MTMI has mined and processed ore from a single open pit mine since the adoption of the draft environmental impact statement (EIS) and approval of the current operating permit in 1986. Montana Tunnels mines a poly-metal bearing ore and produces gold, silver, lead and zinc in the form of metal-sulfide concentrates for sale into commerce. The products are recovered from the ore by conventional milling and flotation processes and gravity concentrating techniques. The mine operates under State Operating Permit No. 00113 and BLM Plan of Operations MTM-82856. It is located on public and private lands near Jefferson City in Jefferson County, Mont.

Development drilling programs at Montana Tunnels have delineated additional ore that extends beneath the existing open pit mine in the pipe of an ancient volcano. The ore body provides a significant resource for mining and milling beyond the current plan of operations. Montana Tunnels proposes to extend its life-of-mine plan to access this resource by open pit mining methods. The added ore resource will lengthen mining and milling operational life by approximately five years. The current mining plan will sustain operations into 2008.

To assure an uninterrupted supply of ore to the mill between the current plan and the mine expansion plan, overburden stripping from the open pit high wall layback must begin as soon as possible. One possible alternative for reclamation at the end of mine life will mean the loss of approximately 2,000 feet of Clancy Creek, as a portion of the creek will be encompassed by the pit lake to remain after reclamation. The preferred alternative will move Clancy Creek and restore a reconstructed channel and riparian zone.

The consequence of any delay in the review process would mean an interruption in the supply of ore to the mill and possible staff turnover and short-term layoffs.

### **MAIN DECISION OR MESSAGE:**

The BLM and Montana DEQ released a draft EIS to cover the proposed expansion; the final EIS is currently (September 2008) undergoing review at the WO.

Montana Tunnels closed in April 2006 while it searched for investors after a wall of the open pit mine failed in October 2005. The closure laid off 196 mine workers. The company announced in early August 2006 that it had entered a joint venture agreement that guaranteed financing for the mine to resume operations and continue permitting for the mine expansion. The preferred alternative in the final EIS will allow MTMI to continue mining and reestablish a portion of Clancy Creek when mining is complete.

### **BUREAU PERSPECTIVE:**

Public interest in the mine is moderate. There is some political interest in making certain the WO review process does not become bogged down. MTMI has a good history of environmental compliance and has not been a source of controversy. The company employs over 200 people and is an important source of revenue for Jefferson County. More than 100 people, mostly mine supporters, attended an EIS scoping meeting in early 2006.

### **CONTACTS:**

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